

Plantation

Inventory Rises Despite Lower Production

Highlights

- MPOB's data for Dec 25 showed a further rise in palm oil inventory levels to 3.05m tonnes despite a marginal decline in production.
- We see limited downside to CPO prices, with a gradual pick-up expected in 1Q26 in tandem with the anticipated decline in stockpiles. Our 2026 CPO price forecast is RM4,400/tonne.
- Maintain OVERWEIGHT premised on the positive CPO price outlook in 2026. Top picks: SD Guthrie and Hap Seng Plantations.

Analysis

- **MPOB's Dec 25 data.** End-stocks rose 7.6% mom to 3.05m tonnes, which was slightly above market expectations, driven by weaker domestic consumption and higher imports, despite a mom drop in production.
 - Production fell 5.5% mom to 1.83m tonnes as Malaysia entered the seasonal low production period. However, output remained at an elevated level, increasing 23.1% yoy, following last year's delayed cropping pattern. The mom decline in production was relatively in line with our production survey and market estimate. Lower output was recorded in Peninsular Malaysia (-7.9% mom) and Sarawak (-5.3% mom) while Sabah's production was broadly flattish mom.
 - Exports in Dec 25 exceeded market expectations, rising 8.5% mom from the low base recorded in Nov 25. This contrasted cargo surveyors' estimate of a -1% to +3% mom change in exports figure, which could be likely due to improved demand from key buyers (India and China) as palm oil regained price competitiveness against other vegoils and inventories stocking ahead of the festive season.
 - End-stocks increased to 3.05m tonnes vs 2.84m tonnes in Nov 25. Weaker domestic consumption (-20.8% mom) and a rise in imports (+43.6% mom) outweighed the moderate decline in production and higher exports, leading to a continued build-up in stockpiles.
- **Outlook.** Production is expected to continue tapering in the following months in line with the seasonal low production period. Exports in January are anticipated to come in stronger, underpinned by robust consumption demand ahead of the two major festivities, Chinese New Year and Hari Raya. Early export surveys by Intertek and AmSpec for 1-10 Jan 26 indicated a 17-30% mom increase in Malaysia's palm oil exports. Overall, we believe inventory levels have likely peaked in Dec 25 and should moderate in the coming months supported by stronger demand and seasonal production trough.

OVERWEIGHT
(Maintained)

Analyst(s)

Lester Siew

lestersiew@uobkayhian.com

+603 2147 1990

Segmental Rating

Segment	Rating
Malaysia	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	HAPL MK	BUY	2.25	2.65
SD Guthrie	SDG MK	BUY	5.91	6.50

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 12 Jan 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (RM)	Price/NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.25	2.65	17.8	Dec-25	8.5	9.4	8.9	5.3	10.1	1,799.3	0.8
SD Guthrie	SDG MK	BUY	5.91	6.50	10.0	Dec-25	24.2	20.7	23.7	2.8	10.6	40,872.0	1.8
Genting Plantations	GENP MK	HOLD	5.07	5.40	6.5	Dec-25	14.2	13.0	13.2	3.8	6.1	4,575.5	0.9
IOI Corporation	IOI MK	BUY	4.09	4.45	8.8	Jun-26	19.4	18.8	17.6	2.7	12.7	25,706.0	2.1
Kuala Lumpur Kepong	KLK MK	BUY	20.26	23.50	16.0	Sep-25	25.4	18.9	17.5	2.5	4.2	22,563.5	1.6
Kim Loong Resources	KIML MK	HOLD	2.44	2.25	(7.8)	Jan-26	14.1	14.0	14.3	7.0	18.5	2,399.1	2.4
Sarawak Oil Palms	SOP MK	HOLD	3.99	3.15	(21.1)	Dec-25	7.5	7.8	7.9	2.4	12.2	3,583.4	0.8

Source: Bloomberg, UOB Kay Hian

MPOB'S Dec 25 Statistics

(m tonne)	Dec 24	Nov 25	Dec 25	mom % chg	yoy % chg	12M25	yoy % chg
CPO Production	1.49	1.94	1.83	(5.5)	23.1	20.28	4.9
Palm Oil Domestic Use	0.31	0.42	0.33	(20.8)	7.1	4.46	35.1
Palm Oil Exports	1.34	1.21	1.32	8.5	(1.9)	15.25	(9.6)
<i>Oleochemical</i>	0.22	0.21	0.28	33.5	26.8	2.76	(7.6)
<i>Biodiesel</i>	0.02	0.05	0.01	(75.1)	(23.2)	0.35	35.6
Palm Oil Imports	0.04	0.02	0.03	43.6	(12.2)	0.77	201.9
Palm Oil Stocks	1.71	2.84	3.05	7.6	78.5	3.05	78.5
CPO Price (RM/tonne)	5,119.50	4089.5	4042.5	(1.1)	(21.0)	4212.4	2.3

Source: MPOB, UOB Kay Hian

Dec 25 CPO Production By Region And State

(m tonne)	Dec 24	Nov 25	Dec 25	mom % chg	yoy % chg	12M25	yoy % chg
Johor	0.24	0.31	0.28	(8.4)	18.2	3.17	1.6
Pahang	0.24	0.34	0.29	(13.5)	25.2	3.48	4.4
Perak	0.14	0.15	0.16	6.6	19.3	2.03	7.9
Negeri Sembilan	0.05	0.07	0.06	(10.3)	24.8	0.73	1.1
Selangor	0.04	0.05	0.05	(0.2)	16.1	0.57	6.9
Terengganu	0.03	0.05	0.04	(16.0)	43.1	0.48	1.7
Kelantan	0.03	0.04	0.03	(14.7)	33.2	0.41	15.2
Kedah	0.02	0.02	0.02	(4.9)	15.7	0.28	9.1
Other States	0.01	0.01	0.02	14.9	28.6	0.22	1.9
Pen Malaysia	0.78	1.04	0.96	(7.9)	22.4	11.38	4.4
Sabah	0.35	0.44	0.44	0.1	24.3	4.41	3.2
Sarawak	0.35	0.46	0.43	(5.3)	23.5	4.49	8.3
East Malaysia	0.70	0.89	0.87	(2.7)	23.9	8.90	5.7

Source: MPOB, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT.** We believe CPO prices would be well-supported at the current levels (RM4,000/tonne) and may gradually pick up over 1Q26 in tandem with a progressive correction in palm oil inventory levels. As end-stocks turn more balanced by 2Q26, we also foresee further price upside for CPO thereafter leading into Indonesia's planned 2H26 implementation of its B50 biodiesel mandate. Overall, we continue to forecast a higher average CPO price of RM4,400/tonne for 2026 (vs RM4,300/tonne in 2025), which, alongside continued FFB production growth, is expected to translate into high single-digit sector earnings growth for 2026.
- **Top picks are SD Guthrie and Hap Seng Plantations.** We prefer SD Guthrie (SDG MK/BUY/Target: RM6.50) and Hap Seng Plantations (HAPL MK/BUY/Target: RM2.65) which possess good leverage to higher CPO prices, whereby HAPL is also favoured for its attractive dividend yields and inexpensive valuations.

Sector Catalyst/Risk

- Weaker-than-expected industry output driving tighter inventories and higher CPO prices.
- Incremental demand from regional biofuel policy expansions.
- Improved downstream business outlook for vertically-integrated planters.

CPO Price Assumptions (RM/Tonne)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
2023	3,810
2024	4,180
2025	4,306

Our Forecast:

2026F 4,400

CPO Price:

MPOB @ 12 JAN 25 3,968

BMD 3rd Month Contract 4,109

Source: UOB Kay Hian

Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

Malaysia Palm Oil Stocks



Source: MPOB, UOB Kay Hian

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